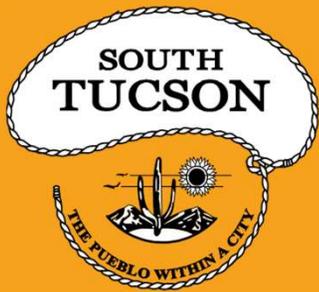




# FY2020 GENERAL FUND OVERVIEW & BASELINE BUDGET

*Presentation: March 18, 2019*



# OUTLINE

# WHAT WE WILL DISCUSS TODAY...

## Introduction to the budget

- Budget process: planning, timeline and reporting

## General Fund overview

- Basic budget structure
- Current Fiscal Year – FY 2019 Estimated Actuals
- Next Fiscal Year – FY 2020 (Challenges)



# BUDGET PROCESS

# BUDGET PROCESS

## STEP 1) Baseline Budget

Allows everyone to see the impact of carrying the current budget (as adopted) forward to the following year. Factors that create an impact: changes in trends or legislation (state law). The impact can reflect as good or bad as follows:

- a.) **Projected surplus - Good!** This means you can increase services, save to pay off bills or create a reserve.
- b.) **Projected deficit - Bad!** It may result from either declining revenues, increased expenditures or both. Necessary measures may include: increasing revenues (taxes and fees), decreasing expenditures or a combination of both as approved by Mayor & Council.

## STEP 2) Menu of Options

**The goal is a balanced budget.** Therefore a menu of potential options to address either the surplus or deficit is prepared and presented to Mayor & Council for direction.

Due to the time sensitive nature of the budget, all items presented are equally time sensitive. Additionally, there may be state statutes (laws) determining deadlines and requirements for implementation. Staff will clearly indicate to Mayor & Council what those are.

## STEP 3 Citizens Budget Advisory Committee

**Meetings will be held with this committee to relay information as presented to Mayor & Council. The Chair or his/her appointee will be responsible for providing updates to Mayor & Council.**

*Due to the time sensitive nature of the budget, all items presented are equally time sensitive. Additionally, there may be state statutes (laws) determining deadlines and requirements for implementation. Staff will clearly indicate to Mayor & Council what those are.*

# BUDGET PROCESS (CONTINUED)

## **STEP 4) Mayor & Council Direction**

This step is absolutely crucial. It authorizes the City Manager and staff to proceed with any of the options presented.

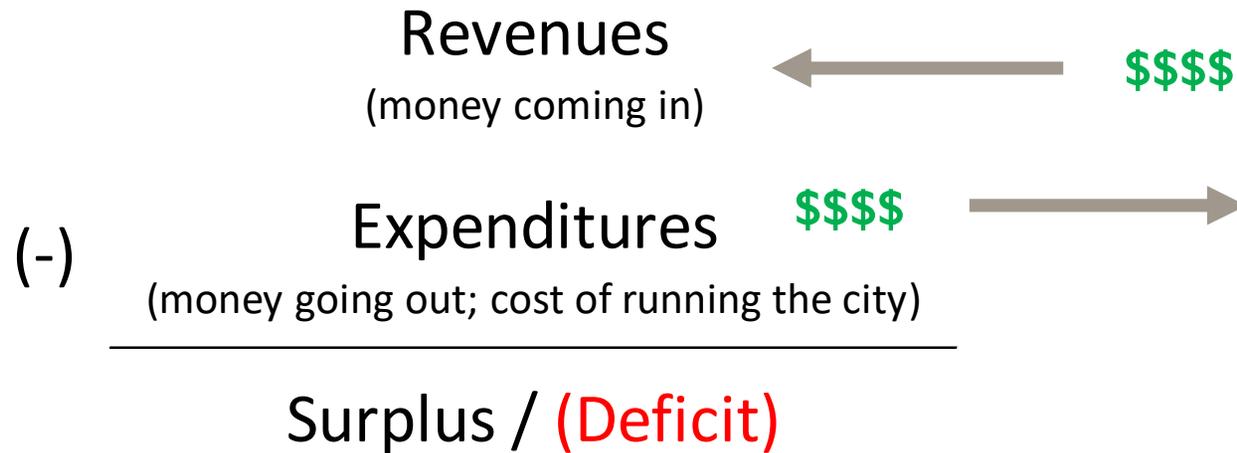
In consideration of the different options presented and the direction received, the City Manager and staff may revisit steps 2 and 3 with Mayor & Council on more than one occasion. Once there is a clear picture of how the proposed options will impact and the budget has been balanced, steps 4 and 5 may be taken.

## **STEP 5) Adoption of the Tentative Budget**

## **STEP 6) Adoption of the Final Budget**

\*Please note that state statutes provide a timeline that must be followed for the adoption of the budget. A timeline/guide will be prepared and distributed at an upcoming meeting.

## BASIC BUDGET STRUCTURE



*So, what do Surplus and Deficit mean?*

### **Surplus**

Excess money = Improves cash flow. This extra money can then be used to pay off debt (bills) or create a reserve (savings).

### **(Deficit)**

Lack of money = Increases debt (unpaid bills).



# FISCAL YEAR 2019

# FISCAL YEAR 2019 – ADOPTED BUDGET (GENERAL FUND)

City of South Tucson  
Fiscal Year 2019 General Fund Baseline Budget  
*Deficit Reduction Plan / Recommendations for balancing the budget*

Presented & Approved by  
Mayor & Council 06/18/2018

Department	Baseline Budget (after adjustments)	Recommendation #1	Recommendation #2	Recommendation #3	Recommendation #4	State Shared Rev (Drop) CAC Recommendation #5	Total
<b><u>Revenues</u></b>							
General Fund Revenue	\$4,813,875					(\$10,442)	\$4,803,433
Fund Balance					\$194,968		\$194,968
Contingent Revenue							\$0
<b><u>Expenditures</u></b>							
City Council	\$31,547						\$31,547
Administration	\$843,260	(\$27,870)	(\$26,911)				\$788,478
Magistrate Court	\$213,080					\$624	\$213,704
Fire Department	\$645,109					\$5,526	\$650,635
Police Department	\$1,913,367			(\$8,000)		\$1,669	\$1,907,036
Public Works	\$95,838					\$1,247	\$97,085
Non-Departmental	\$1,309,917						\$1,309,916
Contingent Expenditure							\$0
<b>Total</b>	<b>(\$238,243)</b>	<b>(\$27,870)</b>	<b>(\$26,911)</b>	<b>(\$8,000)</b>	<b>\$194,968</b>	<b>(\$19,508)</b>	<b>(\$0)</b>

### STAFF RECOMMENDATION SUMMARY

Recommendation #1: 4 month savings - City Manager (City Clerk)  
Recommendation #3: 3 month savings - PT Records Clerk

Recommendation #2: 6 month savings - P&Z Director  
Recommendation #4: Dip into fund balance (we hope to limit impact)

### DEFICIT REDUCTION PLAN SUMMARY

	Running Balance
<i>Baseline Deficit (preliminary draft, 05/07/2018):</i>	(\$192,207)
Contract Adjustments	(\$12,191)
Medical Insurance Adjustment	(\$33,843)
<b>Drop in State Shared Revenue</b>	<b>(\$10,442)</b>
<b>Citizens Advisory Committee [CAC] Recommendation #5</b>	<b>(\$9,066)</b>
Staff Recommendation #1	\$27,870
Staff Recommendation #2	\$26,911
Staff Recommendation #3	\$8,000
Staff Recommendation #4	\$194,968
	(\$0)

#### Citizens Advisory Committee Recommendations

Recommendation # 5: Wage increase of \$0.50/hour for employees under \$14.00/hour effective January 1, 2019.

# CURRENT FY2019, QUARTER I (9/30)

Fiscal Year 2019 Financial Quarterly Update (12/3/18), page 1

## Statement of Revenues & Expenditures

### Income Statement

	General Fund	Housing	Youth Operations Center	RICO	Non-Major Funds	Total Government Funds
FY19 Revenues	\$ 991,255	\$ 473,545	\$ 56,500	\$ 143	\$ 203,514	\$ 1,724,958
FY19 Expenditures	1,111,908	383,090	19,774	9	235,953	1,750,734
Net Surplus / (Deficit)	(120,652)	90,455	36,726	134	(32,439)	(25,776)
Fund Balances (Deficits), 06-30-18	1,571,839	22,380	(97,908)	(136,237)	103,070	1,463,145
Fund Balances (Deficits), 09-30-18	\$ 1,451,187	\$ 112,835	\$ (61,182)	\$ (136,103)	\$ 70,632	\$ 1,437,368

Calculation for available (unassigned): \$ 1,451,187 → \$ (61,182) \$ (136,103) → \$ 1,253,901

Minus Restricted in General Fund:  
 MPC, Fund 410 (bond restricted) 611,082  
 MPC, Fund 410 (reserved at 9/30/18 for bond payment 12/1) 150,028  
 Impounds, Fund 405 19,478  
 Courts, Funds 401-404 10,294

Total fund balance (unassigned) at 9/30/18 \$ 463,021

### FY19 Fund Balance Breakdown

(\$274,140) General Fund Deficit  
 150,028 Fund 410 (For Bond Pmt)  
 3,460 Funds 401-405  
 (\$120,652) Net Deficit

### Includes:

\$360,176 Cash in Main Accounts  
 133,825 Non-Major Grants A/R  
 (pending reimbursement)

\* plus/minus other A/R and A/P

**(UNAUDITED)**

# CURRENT FY2019, QUARTER 2 (12/31)

Fiscal Year 2019 Financial Quarterly Update (02/20/19), page 1

## Statement of Revenues & Expenditures

### Income Statement

	General Fund	Housing	Youth Operations Center	RICO	Non-Major Funds	Total Government Funds
FY19 Revenues	\$ 2,533,518	\$ 989,182	\$ 56,500	\$ 2,543	\$ 389,610	\$ 3,971,353
FY19 Expenditures	2,498,158	926,169	38,882	1,116	420,411	3,884,735
Net Surplus / (Deficit)	35,361	63,013	17,618	1,427	(30,801)	86,617
Fund Balances (Deficits), 06-30-18	1,290,602	22,380	2,859	13,085	130,057	1,458,984
Fund Balances (Deficits), 09-30-18	\$ 1,325,963	\$ 85,393	\$ 20,477	\$ 14,512	\$ 99,256	\$ 1,545,602

Calculation for available (unassigned): \$ 1,325,963

Minus Restricted in General Fund:  
 MPC, Fund 410 (bond restricted) 613,698  
 Impounds, Fund 405 19,478  
 Courts, Funds 401-404 8,963

Total fund balance (unassigned) at 12/31/18 \$ 683,824

### FY19 Fund Balance Breakdown

**(\$59.269) General Fund Deficit**  
 92,500 Fund 410 (For Bond Pmt)  
 2,129 Funds 401-405  
35,361 Net Surplus

### Includes:

\$538,703 Cash in Main Accounts  
 91,095 Non-Major Grants A/R  
 (pending reimbursement)

\* plus/minus other A/R and A/P

**(UNAUDITED)**

## CURRENT FY2019, ESTIMATED ACTUALS (6/30)

Fiscal Year 2020 General Fund Baseline Budget, Summary, page 2

\$1,290,602	Fund Balance at 6/30/18 (General Fund)
<u>+ 100,000</u>	Estimate Net Position at 6/30/19 (conservative)
\$1,390,602	
<u>- 643,000</u>	Average "Restricted" in General Fund (Bond Retainer, Impounds & Court Restricted)
<u>\$ 747,602</u>	Estimated "Unassigned" Fund Balance at 6/30/19

**(UNAUDITED)**

# CURRENT FY2019, SALES TAX COLLECTIONS

Fiscal Year 2020 General Fund Baseline Budget, Summary, page 1

TAX RATE	BUSINESS CODE	INDUSTRY / BUSINESS CODE	FY 17/18 Jul - Jan	FY 18/19 Jul - Jan	FYTD % change	SALES TAX REVENUE PER 1%
	0		(\$1,387)	(\$11,715)	744.84%	
5.00%	4	Utilities	\$206,314	\$199,820	-3.15%	\$39,963.99
5.00%	5	Communications	\$44,316	\$26,771	-39.59%	\$5,354.29
5.50%	6	Transporting	\$0	\$0	0.00%	\$0.00
5.50%	9	Publication	\$143	(\$444)	-409.32%	-\$80.64
5.50%	10	Job Printing	\$8,532	\$16,667	95.35%	\$3,030.29
5.50%	11	Restaurant and Bars	\$381,154	\$441,870	15.93%	\$80,340.03
5.50%	12	Amusements	\$19,351	\$19,685	1.72%	\$3,579.03
5.50%	15	Contracting - Prime	\$83,141	\$72,113	-13.26%	\$13,111.44
4.50%	17	Retail Sales	\$675,864	\$654,653	-3.14%	\$145,478.54
5.50%	18	Advertising	\$296	\$840	184.25%	\$152.81
3.50%	44	Hotels	\$10,891	\$6,334	-41.84%	\$1,809.84
2.50%	45	Residential Rental, Leasing & Licensing for	\$22,323	\$36,903	65.31%	\$14,761.22
	50		\$488	\$571	17.09%	
1.50%	62	Retail Sales Food for Home Consumption	\$81,373	\$83,359	2.44%	\$55,572.35
2.00%	144	Hotel/Motel (Additional Tax)	\$6,223	\$3,620	-41.84%	\$1,809.84
2.50%	213	Commercial Rental, Leasing & Licensing for	\$53,561	\$65,232	21.79%	\$26,092.70
6.50%	214	Rental, Leasing & Licensing for Use of TP	\$54,714	\$50,449	-7.80%	\$7,761.35
4.00%	313	Commercial Lease (Additional Tax)	\$45,864	\$49,498	7.92%	\$12,374.58
4.50%	315	MRRA Amount	\$56	\$201	258.74%	\$44.61
	325		\$1,086	\$803	-26.09%	
		<b>PROGRAM CITY TOTALS ---&gt;</b>	<b>\$1,694,303</b>	<b>\$1,717,231</b>	<b>1.35%</b>	<b>\$411,156.28</b>
		<b>% Change from prior year</b>				Based on: Jul-Jan

**(UNAUDITED)**



# LIABILITIES

# MAJOR CONCERNS / PENDING LIABILITIES

FY2017 Audited Financials, page 36

CITY OF SOUTH TUCSON, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2017:

<u>Governmental activities:</u>	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due Within 1 Year</u>
Revenue bonds payable	\$ 7,335,000		\$ (165,000)	\$ 7,170,000	\$ 175,000
Deferred bond discount	(677,980)		32,282	(645,698)	
Net bonds payable	6,657,020		(132,718)	6,524,302	175,000
Capital leases payable	162,808		(58,884)	103,924	61,461
Compensated absences payable	210,045	\$ 77,277	(106,900)	180,422	101,338
Net pension liabilities	11,610,646	1,160,762		12,771,408	
Claims and judgments	135,000	99,000	(45,000)	189,000	144,000
Other commitments	984,560		(269,140)	715,420	32,823
Governmental activities long-term liabilities	<u>\$ 19,760,079</u>	<u>\$ 1,337,039</u>	<u>\$ (612,642)</u>	<u>\$ 20,484,476</u>	<u>\$ 514,622</u>

## MAJOR CONCERNS / PENDING LIABILITIES

FY2017 Audited Financials, page 38

### NOTE 9 - CONTINGENT LIABILITIES

During the fiscal years ending June 30, 2012 through 2014, the City levied and collected approximately \$1.8 million of secondary property taxes without obtaining the required voter approval. The City may need to reduce its primary tax levy in the future or issue refunds as a remedy for excessive property tax collected.

The City is a defendant in a number of lawsuits and claims as of June 30, 2017. It is the opinion of management and the City's legal counsel, reasonable possible and probable losses not covered by insurance from these proceedings total \$90,000 at June 30, 2017.



# FY 2020 BASELINE BUDGET

## FY2020 BASELINE BUDGET (GENERAL FUND)

Fiscal Year 2020 General Fund Baseline Budget, Summary, page 2

<b>\$4,937,616</b>	<b>Estimated Revenues</b>
<u><b>-5,333,417</b></u>	<b>Expenditures</b>
<b>-\$ 395,801</b>	<b>Baseline Deficit</b>

## CHALLENGES...

- 1.) Budget is structurally imbalanced:  
Insufficient revenues to sustain operational expenditures
- 2.) Rising pension costs

# BASIC BUDGET STRUCTURE (FY 2020)

## Revenues

City Sales Tax 60%	\$2.9 million
State Shared Revenues 31%	\$1.5 million
Permits & Licenses 6%	\$307,248
Court Fines & Fees 2%	\$90,000
Primary Property Tax 1%	\$55,000

TOTAL REVENUE: \$4.9 million

## Expenditures

Police Department 37%	\$2 million	Police Pension Expense: \$685,478
Non-Departmental 25%	\$1.3 million	
Administration & Public Works 18%	\$965,352	
Fire Department 15%	\$777,084	Fire Pension Expense: \$224,998
Courts 4%	\$218,189	

TOTAL EXPENDITURES: \$5.3 million

# QUESTIONS